

109TH CONGRESS
1ST SESSION

H. R. 1635

To amend the Internal Revenue Code of 1986 to allow employers a credit against income tax for hiring military service personnel who served in a combat zone or a hazardous duty area.

IN THE HOUSE OF REPRESENTATIVES

APRIL 14, 2005

Mr. McCOTTER (for himself, Mrs. MILLER of Michigan, Mr. PEARCE, Mr. MANZULLO, Mr. SWEENEY, Mr. ENGLISH of Pennsylvania, Mr. RENZI, Mr. REYES, Mr. SULLIVAN, Mr. SHUSTER, and Mr. JONES of North Carolina) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow employers a credit against income tax for hiring military service personnel who served in a combat zone or a hazardous duty area.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Veterans’ Employment
5 Transition Support Act of 2005” or the “VETS Act of
6 2005”.

1 **SEC. 2. CREDIT FOR EMPLOYERS HIRING MILITARY SERV-**
2 **ICE PERSONNEL WHO SERVED IN A COMBAT**
3 **ZONE OR A HAZARDOUS DUTY AREA.**

4 (a) IN GENERAL.—Subpart D of part IV of sub-
5 chapter A of chapter 1 of the Internal Revenue Code of
6 1986 (relating to business-related credits) is amended by
7 adding at the end the following new section:

8 **“SEC. 45J. CREDIT FOR EMPLOYERS HIRING MILITARY**
9 **SERVICE PERSONNEL WHO SERVED IN A**
10 **COMBAT ZONE OR A HAZARDOUS DUTY AREA.**

11 “(a) GENERAL RULE.—For purposes of section 38,
12 the military service personnel employment credit for the
13 taxable year shall be equal to—

14 “(1) except as provided in paragraph (2), 40
15 percent of the qualified first-year wages for such
16 year, and

17 “(2) in the case of a disabled qualified veteran,
18 the applicable percentage of the qualified first-year
19 wages for such year.

20 “(b) QUALIFIED WAGES.—For purposes of this sec-
21 tion—

22 “(1) IN GENERAL.—The term ‘qualified wages’
23 means the wages paid or incurred by the employer
24 during the taxable year to individuals who are quali-
25 fied veterans.

1 “(2) QUALIFIED FIRST-YEAR WAGES.—The
2 term ‘qualified first-year wages’ means, with respect
3 to any individual, qualified wages attributable to
4 service rendered during the 1-year period beginning
5 with the day the individual begins work for the em-
6 ployer.

7 “(3) WAGES.—The term ‘wages’ has the mean-
8 ing given such term by section 51(c), without regard
9 to paragraph (4) thereof.

10 “(c) QUALIFIED VETERAN; HIRING DATE.—For pur-
11 poses of this section—

12 “(1) IN GENERAL.—The term ‘qualified vet-
13 eran’ means any individual who is certified by the
14 designated local agency (as defined in section
15 51(d)(11))—

16 “(A) as being a veteran (as defined in sec-
17 tion 51(d)(3)(B)) who performed services in an
18 area designated by the President for purposes
19 of this section as a combat zone or as a haz-
20 ardous duty area, and

21 “(B) as having been honorably discharged
22 from active duty in the Armed Forces of the
23 United States.

24 “(2) HIRING DATE.—The term ‘hiring date’ has
25 the meaning given such term by section 51(d).

1 “(d) DISABLED QUALIFIED VETERAN; APPLICABLE
2 PERCENTAGE.—

3 “(1) IN GENERAL.—The term ‘disabled quali-
4 fied veteran’ means any qualified veteran who is cer-
5 tified by the designated local agency (as so defined)
6 as having a disability that has been determined
7 under the laws administered by the Secretary of Vet-
8 erans Affairs to be service-connected and that is
9 rated by such Secretary (as of the date of the certifi-
10 cation) as 10 percent or more disabling.

11 “(2) APPLICABLE PERCENTAGE.—The term
12 ‘applicable percentage’ means the percentage deter-
13 mined in accordance with the following table:

“Percentage of disability:	Applicable percentage:
At least 10 but not over 20	41
At least 20 but not over 30	42
At least 30 but not over 40	43
At least 40 but not over 50	44
At least 50 but not over 60	45
At least 60 but not over 70	46
At least 70 but not over 80	47
At least 80 but not over 90	48
At least 90 but not over 100	49
100 percent	50

14 “(e) CERTAIN RULES TO APPLY.—Rules similar to
15 the rules of section 52, and subsections (d)(11), (f), (g),
16 (i) (as in effect on the day before the date of the enact-
17 ment of the Taxpayer Relief Act of 1997), (j), and (k)
18 of section 51, shall apply for purposes of this section.”.

1 (b) CREDIT TO BE PART OF GENERAL BUSINESS
2 CREDIT.—Subsection (b) of section 38 of such Code is
3 amended by striking “plus” at the end of paragraph (18),
4 by striking the period at the end of paragraph (19) and
5 inserting “, plus”, and by adding at the end the following
6 new paragraph:

7 “(20) the military service personnel employment
8 credit determined under section 45J(a).”.

9 (c) TECHNICAL AMENDMENTS.—

10 (1) Clause (iii) of section 41(b)(2)(D) of such
11 Code is amended to read as follows:

12 “(iii) EXCLUSION FOR WAGES TO
13 WHICH EMPLOYMENT CREDITS APPLY.—

14 The term ‘wages’ shall not include any
15 amount taken into account in determining
16 the credit under section 45J(a) or 51(a).”.

17 (2) Subparagraph (B) of section 45A(b)(1) of
18 such Code is amended to read as follows:

19 “(B) COORDINATION WITH OTHER EM-
20 PLOYMENT CREDITS.—The term ‘qualified
21 wages’ shall not include wages attributable to
22 service rendered during the 1-year period begin-
23 ning with the day the individual begins work for
24 the employer if any portion of such wages is

1 taken into account in determining the credit
2 under section 45J or 51.”.

3 (3) Subsection (a) of section 280C of such Code
4 is amended by inserting “45J(a),” after “45A(a),”.

5 (4) Paragraph (3) of section 1396(c) of such
6 Code is amended to read as follows:

7 “(3) COORDINATION WITH OTHER EMPLOY-
8 MENT CREDITS.—

9 “(A) IN GENERAL.—The term ‘qualified
10 wages’ shall not include wages taken into ac-
11 count in determining the credit under section
12 45J or 51.

13 “(B) COORDINATION WITH PARAGRAPH
14 (2).—The \$15,000 amount in paragraph (2)
15 shall be reduced for any calendar year by the
16 amount of wages paid or incurred during such
17 year which are taken into account in deter-
18 mining the credits under sections 45J and 51.”.

19 (d) CLERICAL AMENDMENT.—The table of sections
20 for subpart D of part IV of subchapter A of chapter 1
21 of such Code is amended by adding at the end the fol-
22 lowing new item:

“Sec. 45J. Credit for employers hiring military service personnel who served in
a combat zone or a hazardous duty area.”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to individuals who begin work for
3 the employer after the date of the enactment of this Act.

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